



# APPAREL INSURANCE NEWS

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### Recent Insurance claims we've seen:

- **Embezzlement. Trusted bookkeeper helps herself to \$140,000 in payroll checks before a routine audit reveals the theft.** The employee was desperate and heavily in debt. Employee Dishonesty/Crime insurance pays the claim, and makes good on the loss to the company's owner.
- **Domestic housekeeper sues homeowner for \$150,000. over wrongful termination.** She says he fired her due to "poor health", and her medical condition. Employment Practices Liability Insurance (EPLI) is a key part of this case. Lesson to be learned: Anyone with an employee can be sued; you don't have to be in a business, trade or occupation.

## WHO NEEDS EMPLOYMENT PRACTICES LIABILITY INSURANCE?

Employment Practices Liability Insurance (EPLI) is designed to protect employers against a wide array of "non-physical" injury claims. EPLI protects businesses from many claims not covered under workers' compensation or general liability. Major cases are:

- Discrimination based on age, race, sex, national origin, disability or marital status.
- Wrongful Termination
- Sexual Harassment
- Employment related Libel, Slander, Defamation and Invasion of Privacy
- Wrongful Discipline or Negligent Evaluation
- Failure to employ or promote
- Deprivation of career opportunity
- Wage & Hour claims

EPLI insurance should be in place ideally before you even begin the hiring process, but it's never too late to practice good risk management, and then consider adding this type of insurance to your organization's insurance program.

C.M. Meiers Company partners with several preeminent coverage programs, and we provide EPLI coverage at very affordable rates.



### Consider these statistics:

1. Over 80,000 claims were filed with the Equal Employment Opportunity Commission (EEOC) in 2007, that's a 9% increase compared to 2006. Businesses are more likely to face an EPLI claim than a property or liability claim.
2. Economic downturns that create job losses and lack of opportunity often give rise to EPLI claims, as laid off and terminated workers struggle to cope.
3. Small firms are vulnerable too. Firms of 15-100 employees suffer over 40% of all EPLI claims.
4. EPLI claims are expensive. The average cost to defend an EPLI claim is \$45,000., and the average settlement is \$150,000.
5. An EPLI claim that evolves into a lawsuit will often

favor the employee. Once an EPLI claim goes to trial, the employee wins over 2/3 of the time.

Don't risk your own assets to lawsuits from employees, or "third parties". Our EPLI coverage plan also includes third party claims, for example, from customers or suppliers who allege harassment or discrimination.

**The Employee Handbook.** It's critically important to practice "risk reduction" by using an Employee Handbook which outlines your organization's employment procedures. Among other things, the handbook should clearly spell out an anti-harassment policy, and anti-discrimination policy. If correctly written, the handbook can show that you are pro-active in handling employee complaints and the steps taken to prevent and resolve employee disputes.

Our Insurance carriers provide for a Toll Free advice hotline, and sample employment forms and policies to help you during downsizing, and layoffs. And our office can assist you in developing or improving your Employee Handbook. For more information about EPLI, call Bill Kulchin at 818-968-1354.

Your insurance partner, serving industry since 1934

**C.M. Meiers Company, Inc.**  
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### Online Solutions available to our EPLI policyholders include:

- Sexual harassment prevention training (now required by law)
- Web-Based Training on employment issues including discrimination, Americans with Disabilities, retaliation, wrongful termination, and ethics in the workplace.

- Training Bulletins
- Searchable database of articles written by employment law experts.
- Access to employment law attorneys.
- Sample employment policies and forms.
- Employment practices checklist.
- ERISA Helpline
- Reference materials on ERISA and related laws
- Articles and white papers on benefit planning issues confronting plan fiduciaries, such as HIPAA compliance, and contingent worker exposures.

**Apparelinsurance.com**  
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*Complete coverage for a complex world*

*Founded in 1934, C.M. Meiers Company, Inc. is one of the oldest insurance brokerages in California. We are a firm that is purposefully large enough to handle all lines of insurance, yet close enough to our clients to deliver a highly personalized service experience.*

*For Apparel companies, this means the convenience of placing every type of garment related insurance coverage with one office and the satisfaction of having one dedicated and knowledgeable Account Manager who will personally serve your organization. The apparel division of C.M. Meiers Company was enhanced in 1992 by Bill Kulchin, and today serves over 100 apparel manufacturers and distributors.*

## Quality Control unlocks the door to better insurance.

### Case Study

Foreign source infant wear manufacturer based in USA could not find affordable insurance. All underwriters wanted proof of quality assurance, and proof that the foreign manufacturer was producing goods that were compliant with U.S. Consumer Products Safety Laws.

### PROBLEM

This manufacturer faced a common problem: **How can a U.S. based manufacturer continually assure that the products coming from China, India, and other countries are in compliance with U.S. safety regulations?** And how can that manufacturer's insurance company have confidence in the compliance program, and offer their lowest possible insurance premiums?

Manufacturers of Infant wear and children's clothing can easily "unlock the door" to greater acceptance, and lower premium rates when they follow a quality assurance plan. But who's employees will travel? What additional training will the Q.C. employees need? And how can an infant wear designer be certain that their foreign source is as good as advertised? After all, when your name is on the label, you are responsible for products produced abroad.

**SOLUTION:** "Our solution to this problem is to use a cost-effective engineering & safety review approach to foreign products" says Chris Palmer, Director of Risk Services for C.M. Meiers Company. Insurance carriers will have greater confidence in your product

when you can show proof of a valid Q.C. program. And that means lower rates, and better coverage", says Palmer.

"First we review the operations and the product line to help the client recognize the exposures they face and so that we can make sure the underwriter understands the client's business and the steps they take to control the risks involved.

We partner with a quality assurance firm who performs work in over 30 countries. They report directly, and provide important detail. This includes implementation of a Quality Assurance program, regular inspections and audits of the factories and lab testing of products to ensure they meet design and quality specifications. (continued below)

## MARKET PULSE

### Quality control—continued...

"We recently met with a prospective client that sources over 600 products from China. They had experienced several significant products liability claims totaling nearly one million dollars. Their liability premiums had increased significantly and the other terms obtained by their insurance broker were less than favorable.

By conducting an in depth review of the operation, understanding the design specification process, assisting them with the implementation of a world-class Quality Assurance program and documenting these efforts, we were able to make significant improvements to the terms of the insurance program and realize cost savings for the client.

Chris Palmer is Director of Risk Control at CM Meiers.

**Apparel companies benefit by many forms of insurance. Call us for a confidential, free insurance analysis:**

### Are you covered?

Workers' Compensation  
Stock Inventory  
General Liability  
Employment Practices Liability  
Employee Benefits  
Home / Auto / Life  
Trademark & Copyright coverage  
Trade Credit / Receivables  
Equipment Breakdown  
Employee Theft  
Earthquake & Flood

**Here are just a few of our proud associations, and carrier relationships to serve you.**

Travelers  
Hartford  
Firemans Fund  
Golden Eagle & Safeco  
Allied—Nationwide  
Lloyds of London  
Liberty Mutual Insurance  
ACE  
CIBA  
Chubb  
One Beacon  
Berkshire Hathaway  
Cypress  
Employers Comp Insurance Co.  
Republic Indemnity  
Delos Insurance  
Majestic Insurance  
Everest National  
Insurance Company of the West  
Zenith  
State Compensation Fund

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*Complete coverage for a complex world*

#### **AUTOMOBILE LAWS—Jan. 1, 2009**

- **California drivers may not smoke in the presence of a minor within a vehicle, or else face \$100. fine. (SB 7)**
- **It is illegal to use or sell a product that impairs your license plate from being read by electronic cameras and other devices. \$146. fine for using such products, \$250 fine for selling one. (AB 801)**
- **Cell phone use while driving extends to texting. The new no texting law restricts drivers from writing, reading, or sending a text message while driving (\$20. 1st time / \$50. after)**
- **Zero Tolerance DUI law. Tougher penalties for drivers on court ordered probation. Immediate notice of suspension and vehicle will be impounded if such drivers show 0.01 percent or higher blood alcohol concentration.**

## Understanding the True Cost of Claims

**Chris Palmer**  
**CMM Director of Risk Control**

As Director of Risk Control at CMM, my job is to help clients identify, control and manage risk. One important part of the process is helping design and implement safety programs. These programs include procedures designed to identify hazards, control those hazards through inspections, document employee training, establish emergency procedures and investigate accidents. Having a written Injury & Illness Prevention Program that performs these functions is required under California law.

But more importantly, an effective program can save lives and improve your company's bottom line.

Did you know that the direct cost of a workers compensation claim is usually about 5 to 10% of the TRUE cost? Let's use an example:

Bob injures his back while lifting a heavy component on the assembly

line. With a severe back strain, he's out for six weeks and incurs medical bills including physical therapy.

But what is the true cost for his employer?

Bob's medical expenses and wage benefit will factor into his company's workers compensation loss experience and impacts the premium they pay.

While Bob is off the production line, the company has to hire temporary help at a cost of \$1,000 a week. The temp worker is not as efficient and productive as an experienced employee, and the delay in production causes his company to lose additional orders.

Bob's coworkers have to work harder to keep production at the level it was with Bob there. They get tired of the extra hours and their productivity starts to drop.

A few weeks later, one of

those tired co-workers himself is injured.

Bob returns to work after six weeks but it takes him another month to get back up to speed on the line.

So you see the true cost of Bob's claim can be many times higher than the original cost of the claim—the extra expenses, lost productivity and lost business opportunities. And never forget the greatest cost of all: the pain of injury and recovery for the person who was injured.

Think of a claim when you look at the above photo — the amount you can see above the surface is only a small portion of the whole.

The time and money spent on safety and loss prevention are paid back many times over.

To learn more about how CMM can help you, contact Bill Kulchin or Chris Palmer. Chris can be reached at +1 818 224 6142 or cpalmer@cmmeiers.com



PLACE POSTAGE HERE

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**DELIVER TO:**

## **Inside this issue ...**

**Foreign Quality Control—how to take control, save money on your insurance.**

Our in-house expert offers advice on the “key” that unlocks doors to difficult or costly insurance of foreign made products.

**Safety expert advice.—Understanding the true cost of employee injuries.**

## **Employment Practices Liability..**

Would your employee ever sue you?  
EPLI coverage may be the solution, to minimize the financial effect of being sued by an employee, or an outsider.



Complete Coverage for a Complex World